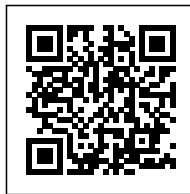


FITCH AFFIRMS MONGOLIA AT 'B'; OUTLOOK STABLE

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Fitch Ratings has affirmed Mongolia's Long-Term Foreign-Currency Issuer Default Rating (IDR) at 'B' with a Stable Outlook. Mongolia has maintained a "B" rating since July 2018.

Mongolia's ratings are underpinned by governance indicators and per capita income that is strong relative to other countries with 'B' ratings, and favourable medium-term growth prospects, Fitch highlights. The ratings are constrained by Mongolia's high reliance on external funding, narrow economic base predominately focused on commodity exports to China, and recurring bouts of political volatility.

Fitch forecasts growth will remain subdued this year at 1.2%, following 1.4% in 2021, despite elevated commodity prices and the re-opening of international borders after achieving high Covid-19 vaccination rates. However, coal exports and other merchandise trade have been severely disrupted by ongoing closures of the border with China, Mongolia's largest trading partner, under the former's "dynamic zero Covid" policy.

ECONOMIC GROWTH FORECAST FOR 2022



European Bank
for Reconstruction and Development

3.5%
European Bank

Fitch
Ratings

1.2%
Fitch Ratings



THE WORLD BANK

2.5%
The World Bank

ADB

2.3%
Asian Development Bank



1%
International Monetary Fund

Fitch expects border disruptions to ease in 2023, although further downside risks to growth could emerge if trade disruptions with China are more prolonged. Global economic spill-overs from the war in Ukraine and supply bottlenecks from import disruptions with Russia and China are leading to inflationary pressures, which will weigh on real incomes and private consumption.

Fitch projects GDP growth will accelerate to 6.3% in 2023 and 6.8% in 2024, as headwinds from trade disruptions and the war in Ukraine wane, and China's demand for Mongolia's key commodity exports remains reasonably buoyant. Mongolia also has the potential to harness its generous natural resource endowments, as the underground phase of the Oyu Tolgoi (OT) mine move onto sustainable production and improved cross-border infrastructure connectivity unleashes more economic benefits for the country.

Oyu Tolgoi, in the South Gobi region of Mongolia, is one of the largest known copper and gold deposits in the world. Open-pit mining commenced at Oyu Tolgoi in 2011 and began processing mined ore into copper concentrate in 2013. When the At full capacity, OT will be among the five largest copper mines in the world.☒